Business is fixated by the here and now, but sometimes wisdom is eternally useful.

THINK AGAIN

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SIX RULES TO BECOME SIMPLY BETTER

Instead of trying to offer uniqueness, ***Patrick Barwise*** *and* ***Seán Meehan*** *suggest that companies should channel their energies into being simply better than the competition. This classic article from* Business Strategy Review *was originally published in a longer form in the Autumn 2004 issue, but the authors' observations and advice are timeless.*

Companies are not as customer-focussed as they think. Everyday experience and customer surveys bear this out. Companies assume that they need to offer something unique, and that years of competition have turned the underlying product or service into a commodity. In reality, what customers care most about is that companies reliably deliver generic category benefits. Far too often, that does not happen. Therefore, most businesses have the opportunity to beat the competition, not by doing anything radical, but by getting closer to their customers, understanding what matters to them, and providing those things better than the competition does.

Consider Procter & Gamble (P&G), one of the best known, most successful and most admired companies in the world. When Durk Jager was appointed CEO in 1999, he was only the tenth man to hold the office since the company's founding in 1890 — but his 18-month reign as CEO was the shortest in P&G's history.

In each of the five decades from 1940 to 1990, P&G had achieved the increasingly difficult goal of doubling sales. As CEO, Jager's watchwords were 'innovation', 'stretch', and 'change'; but his attempts to increase the dynamism of the company did not succeed. Quite the opposite — they were a disaster. In the six months prior to his departure, P&G lost 50 per cent of its market value.

Concerned that there was insufficient room for P&G's flagship brands, such as Tide, Crest, Pampers, and Folgers, to grow, Jager had embarked on an ambitious plan to help create and nurture new products to market fast. This strategy was a radical change, requiring management to rethink everything from structure to work processes and culture. Ten plants and 15,000 jobs were eliminated while P&G reorganised into seven global businesses based on product lines. The restructuring cost $2.1 billion.

Post-Jager, P&G abandoned the new way and out-of-the-box thinking and returned to the basics. It immediately began to reverse the market share decline it had experienced in Europe. Over the previous century, P&G had been an exemplary inside-the-box player with a reputation for successful product innovation. Its approach had been evolutionary, not revolutionary, but it got distracted. It tried to run too fast and stumbled.

Staying the course

The point of this story is not that any company can lose its way. Many do. Nor is it that, with determination, any company can recover from a diversion. Many cannot. Our point is that, however good you are, it is easy to become distracted. Remaining energised to achieve and sustain growth is hard work, requiring continuous attention. It can be done. We offer six straightforward rules that will help you stay the course to become, or perhaps stay, simply better.

Rule 1: Think category benefits, not unique brand benefits.

A student at London Business School summarised what he had learned during the first year of the MBA programme with the words, "The Japanese do it better." Even considering the global economic downturn, the best Japanese companies, such as Toyota and Sony, are still world leaders — especially in product innovation, manufacturing techniques and quality control. Their continued success is all the more remarkable given the difficult conditions under which they operate: a depressed market, ferocious competition and the fact that others have had plenty of time to copy their approach.

While the Japanese approach to management has mainly focused on the manufacturing function, the approach should be applied to every function in every industry. In particular, there are often opportunities to improve service quality. Every business is at least partly a service business in the minds of its immediate customers.

An internal engineering-driven focus, as applied by Toyota, reaps benefits for all to see. As consumers, we should all be grateful for the improvements in price, performance and reliability we now take for granted in so many products. This internal focus needs to be complemented by an external focus on customer needs. Especially on those needs that have been identified but not well met, or that are not being addressed.

Most companies collect regular data on customer satisfaction and perceptions at the brand level. Most industries are so set in their ways that they have trained customers to accept the existing levels of product and service quality. Sometimes, it takes some digging and imagination to unearth needs that have not been articulated or are not being well met. Focus on what customers

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like — and dislike — about the category not just about your and your competitors' brands.

Rule 2: Think simplicity, not sophistication.

Shell sees itself as a company that aims to meet the energy needs of society in ways that are economically, socially and environmentally viable, now and in the long term. Most consumers, however, think of Shell as a supplier of fuel and as an oil and gas explorer and producer. They are less aware of its gas and power-marketing business, its chemicals business or its emerging renewable energy businesses. Shell is one of the world's largest single-branded retailers, serving some 25 million customers a day in more than 56,000 service stations.

Pat O'Driscoll had spent her managerial career at Tesco, Safeway, and Marks & Spencer before she joined Shell. After working with the team developing the global retail strategy, she was assigned to oversee the $30 billion European retail operation — and its 14,000 petrol stations — to implement some of the proposals that she and the team had developed.

What struck O'Driscoll about Shell was that it had little sense of who its retail customers were and what they really wanted. Its competitor, Mobil, had significantly enhanced its performance by catering to the specific, different types of consumers that it found frequented petrol stations. The initiative, dubbed 'Friendly Serve', had apparently raised revenue by as much as 25 per cent in some participating stations.

The outcome of O'Driscoll's work took Shell in a different direction. She concluded that, although it would be possible to find distinct segments and treat them differently, fuel retailing is a fundamentally functional category. Drivers just want to refuel at a reasonable cost, be sheltered from the elements while they do so and pay and exit quickly. They expect the pumps and bathrooms to be clean and working. They are not looking, primarily, for a great machine-dispensed cappuccino.

Understanding customer priorities and ensuring that they were consistently satisfied enabled Shell to post an initial performance improvement of 20 per cent in like-for-like sales in Shell's major European markets. Return on capital, which had been zero prior to the initiative, soon reached double digits.

The initiative was challenging because the company had to introduce a new approach. The change involved closing almost half of the existing outlets and coping with the resulting short-term dip in employee morale. Employee scepticism changed, however, when the initiative started producing results. Local managers were empowered to make bigger decisions, as long as they excelled on the basics. Morale shot up. Site visits by senior management became the norm. Daily, weekly and monthly performance updates helped speed response to customer and competitor challenges.

Sophisticated? Hardly. Effective? Undoubtedly. It is important, as a rule, to think simplicity, not sophistication.

Rule 3: Think inside, not outside, the box.

A few years ago, a senior executive (let's call him 'Jim') at a major consumer-goods company congratulated us on our counterintuitive thinking. Having spent the day explaining how customer value orientation works to enhance business performance, we were surprised by his reaction.

Jim's business was the cash cow of his organisation. His market share was high and stable, and customer satisfaction ratings were so high that other business unit heads had ceased to benchmark against him. Colleagues, however, suggested that the success of the business was attributable not to Jim's management but rather to the brand he had inherited. They would ask, "What has Jim done with the business? Where are his innovations? Doesn't he realise that if he continues with the old model, the competition will overtake him?"

Jim believed that managers had increasingly become thrill-seekers who had lost sight of the fundamental economics of risk. Executives multitasked, coordinated, 'visioned' and strategised. Simply taking care of the business had somehow become passé. Jim argued that between sizing up the next acquisition, restructuring the balance sheet and outsourcing their core activity, managers had taken their eyes off the ball. They had been encouraged to break the rules and were often rewarded for it, irrespective of outcome.

What excited Jim was creating value for his customers. Although the revenues of Jim's division exceeded $2 billion, he knew all his major customers (large retailers), their businesses and their issues. He was intimately involved in product development and created an operations

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and fulfilment capability that was the envy of the industry. He was, simply, a complete business manager. What is counterintuitive about that?

Look at how your customers really make buying decisions and what matters most to them. Be realistic and frank when discussing worthy competitors. Confront disappointment with confidence that you can and will improve. Monitor the performance of your businesses and all your competitors' businesses on generic category benefits.

Managers must spend more effort thinking about the basics of their business and their real customers? We — the customers — are easy to please. We simply expect companies to deliver on their promises. Too many managers have spent so much time outside the box that they have forgotten how to strive to simply be better.

Rule 4: Think opportunities, not threats.

Business success is elusive. When you find it, you should enjoy it. Yet companies seem to fall into the traps of inaction due to complacency and paralysis due to excessive caution. Complacency born of security makes no sense at all. Demographic evolution changes your customer base over time. Technological innovations open up new possibilities. Consumer preferences evolve. Moreover, categories themselves evolve.

When you've figured out how to be simply better, you need to protect the fundamentals of your business system. Be complacent about market shifts though, and you will suffer, just as Kirin Brewery did. When Asahi Breweries, with a 12.5 per cent market share, launched its Super Dry beer, Kirin's market share was 57 per cent. In just under 10 years, Asahi's flagship outsold Kirin Lager by six market share points. Kirin's mistake was to ignore the changing demographic profile of Japan. Younger drinkers' tastes and lifestyles were different from those of the older drinkers who accounted for Kirin Lager's success. Demographics change not overnight, but steadily and predictably.

Inaction due to insecurity can be even worse than inaction due to complacency. When, over the years, customer response confirms that your product is highly valued, there is an understandable fear of rocking the boat. What distinguishes those companies that evolve by, say, adopting new technology from those that don't? We believe that those that take such a risk — and succeed — have a superior understanding of what customers really want. Take Gillette.

In 1903, Gillette created and soon dominated the consumer market for disposable safety razor blades. In 1962, its position appeared unassailable with a remarkable 72 per cent market share. Yet within just one year, it had lost almost a third of this to the small British company Wilkinson Sword, whose stainless-steel blade lasted three times longer than Gillette's carbon-steel blade.

Gillette had been aware of the new stainless-steel technology for some time but was reluctant to adopt it. Doing so would have rendered much of Gillette's manufacturing capacity for carbon-steel blades obsolete. Wilkinson's expansion motivated Gillette to quickly turn to innovation. Now, decades after the Wilkinson threat, innovation is 'almost an obsession' at Gillette, according to our sources. Gillette's key is to provide generic category benefits such as a quicker, closer, more comfortable shave.

Whether potential changes are caused by new technology, government intervention or a changing customer base, think of them as opportunities, not threats.

Rule 5: For creative advertising, forget Rule 3.

If your goal is to meet basic category needs better than the competition, you may have a problem making yourself heard. The solution is to adopt a distinctive, out-of-the-box approach. Inside-the-box advertisements do not work.

The now-defunct carmaker Daewoo came on the market with an innovative marketing strategy. They wanted to persuade UK motorists that, because Daewoo sold direct rather than through dealers, they would experience a hassle-free buying process and superior after-sales service. With a launch budget a fraction of that of its competitors, Daewoo used humour throughout its campaign along with reinforcing its simple message: we're on your side. Indicative of its approach is the competition it ran offering viewers a chance to become one of 200 guinea pigs — drivers who would be given a free Daewoo for an extended, year-long test drive. The offer captured the market's attention. Two hundred thousand people called the toll-free number asking to be a guinea pig.

Research showed that, remarkably, for a car company, Daewoo had achieved a position of trust. Daewoo's approach was seen as both unique and customer-focused. Against huge odds, Daewoo sold a lot of cars in its first year. Part of that success was based on highly creative, outside-the-box advertising and publicity.

Out-of-the-box brand communications similarly aided the mobile telecommunications company, Orange. One of Orange's golden rules was never to feature a cell phone (or anyone using one) in its advertising. Orange made impressive inroads in the public consciousness. Tracking studies identified smart

advertising as a key contributor to Orange's shareholder value creation and burgeoning brand awareness.

Rule 6: Think immersion, not submersion.

Immersing yourself in your marketplace is not just a way to find and prioritise opportunities. It is also the key to energising your organisation and keeping it focused. Insist that everyone in the whole company gets regularly immersed in the market. There is no substitute for direct market access from the top to the bottom of your organisation.

Unilever learned how critical this was when P&G ran advertisements displaying boxer shorts it said had been ripped to shreds by Persil Power, a newly introduced version of Unilever's top UK detergent brand. P&G's claim resonated with customers. At a cost of hundreds of millions of dollars, not to mention five per cent market share, Unilever withdrew Persil Power. During one post-mortem meeting at Unilever, all 31 senior executives present were asked whether any of them had actually washed their own clothes in the past six months — not one had. They were out of touch.

Distance and specialisation carry hidden costs. Managers today work long hours at a relentless pace. Do executive vice presidents at any car company actually shop around for their own cars? Do telecommunication executives have to wait on hold for tech support?

In the name of efficiency, senior executives generally outsource most of what they regard as distractions to support staff. But some of these distractions are, in fact, the stuff of opportunity. They are sources of the frustrations consumers experience every day: the broadband connection that gets disconnected, the car dealer that keeps you waiting half an hour to get your car back after servicing, the beautifully packaged toy that breaks into pieces when a child unwraps it.

Unilever has instituted customer-contact programmes to spread understanding through the organisation. Hindustan Lever, Unilever's Indian subsidiary, requires new recruits to spend six weeks living with a poor family in a remote Indian village. This practice ensures that every level of the organisation sees the reality of consumers' lives. The field experience enables recruits to bring the voice of the consumer to the boardroom. The reason to do this is both simple and compelling: the more people who share the customers' perspectives, the better.

Make it a priority to visit customers, especially dissatisfied or lapsed ones, on their own turf. It is immersion in the customer experience, not submersion in your other workload, that matters. One way to reconnect with customers may be to ask colleagues to share stories of disasters they have experienced personally as customers of other businesses. How did these things happen? Could they happen at your company? Of course they could — worse, they probably already have. Take the opportunity to plan what you can do to improve. Every company serious about customer focus should aim to be the best at the things that matter most to customers.

Never-ending story

This is a never-ending story for two reasons. First, you never get the basics right. If you did, you would presumably achieve a 100 per cent customer satisfaction score, and even then you would likely lose it as soon as you took your eye off the ball. Second, there are always opportunities that will require you to increase the complexity of your business or look to new opportunities.

But, the new market opportunities at which you can make money at an acceptable risk most likely build on your existing capabilities. The stronger those capabilities, the greater the number of new profitable opportunities you will have.

Competitive advantage can come only from a solid foundation of knowing your customers and how they choose — then delivering consistently whatever it is that matters most to them. The rest should be seen for what it is — a lottery. So start now, and never stop. ◻

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Barwise and Meehan's books *Simply Better: Winning and Keeping Customers by Delivering What Matters Most* (Harvard Business School Press, 2004) and *Beyond the Familiar: Long-Term Growth Through Customer Focus and Innovation* (Jossey-Bass, 2011).

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